



Nation's Restaurant News

The Weekly Newspaper of the Food-Service Industry



Vol. 21, No. 47

Published every Monday by Lebhar-Friedman Inc.; \$3 a copy, \$26.50 a year

November 16, 1987

Marriott hands Big Boy to Elias Bros.

Cuts shake up rival Denny's

LA MIRADA, Calif. — The Marriott-Elias deal comes at a time when the corporate staff of Denny's Inc. has been decimated by its new owner, TW Services.

It was TW's \$843 million buyout in September that ended Marriott's bid to buy the segment leader.

TW chairman and chief executive Frank Salizzoni said 10 percent of the La Mirada-based Denny's staff has been trimmed as part of an effort to reduce the debts of the 1,200-unit chain.

Although TW and Denny's have not disclosed the names of those cut from the company's roster, it is known that dismissals included such top executives as research and development vice president Roseanne Bye and scores of others.

In addition, the highest echelons of Denny's management have been shuffled and consolidated.

Resignations include those of Vern O. Curtis as chairman and chief executive, Roger K. Mercier as senior corporate development vice president (See DENNY'S, page 94)



Elias Bros. Restaurants Inc.
Warren, Mich.
1986 sales: \$280 million (estimated)
Chairman: Fred Elias
President: Louis Elias
Founded 1938. Became one of first Big Boy franchisees in 1952 when it acquired rights to Michigan from founder Bob Wian. Now Michigan's largest full-service restaurant company. Also operates Big Boys in Ohio and Ontario, Canada, and food and souvenir concessions, three Manfred's cafes, and three Top Hat fast-food hamburger outlets.

NRN Photo

Elias assumes reins of fractious chain; Marcus files suit

By Richard Martin

WASHINGTON — Ending 20 years of stewardship, Marriott Corp. is surrendering its role as franchisor of the sometimes fractious Big Boy family restaurant system to Elias Brothers Restaurants, a Detroit-based franchisee.

Elias, which operates 238 Big Boys, reportedly acquired the franchise rights to the entire Big Boy system of 914 family restaurants for little or nothing. Neither company would comment on details of the deal.

Meanwhile, Milwaukee-based Marcus Corp., operator of the 106-unit Marc's Big Boy franchise, immediately filed suit in federal court to block Marriott from stepping down as franchisor. Officials of Marriott, Elias, and Marcus declined to comment on the legal action.

"We're disappointed that Marriott decided to do this transaction," said Clark Jones, chairman and chief executive of the 107-unit JB's Big Boy franchise, based in Salt Lake City, Utah. "The Marriott name alone gave a lot (See ELIAS, page 94)

Marriott fine-tunes divestment tactic

The hospitality giant is mastering a maneuver it pioneered with HoJo and Straw Hat Pizza.

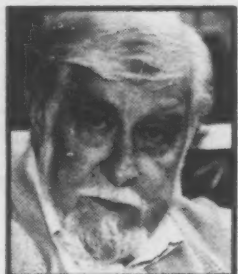
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Big Boy founder Wian blasts Marriott

NEWPORT BEACH, Calif. — Saying he was stunned by Marriott Corp.'s transfer of Big Boy franchising rights to Elias Bros. Restaurants, Big Boy founder and former president Bob Wian blasted Marriott for its handling of the chain.

"It's a shock," Wian said during an interview at his club here.

"I didn't think Marriott would ever part with it. I didn't think Elias would



Wian

ever accept it. They don't need it," said Wian, who founded the chain in 1936 and sold it to Marriott Corp. in 1967, when it numbered 600 locations.

Wian blamed Marriott for discord in the Big Boy chain and the chain's expansion problems.

In particular, Wian faulted Marriott for "mishandling" the franchisee dis-sension that led to the secession of (See WIAN, page 94)

FOOD



WATCH

Falling for game

MINNEAPOLIS — The game is afoot at the newly opened D'Amico Cucina here, as buffalo, rabbit, and organically raised ducks are being introduced as late-fall menu additions.

Executive chef Larry D'Amico and chef Greg Westcott are adapting those largely Midwestern-grown products to Italian-style preparations. For example, the buffalo is used in a carpaccio with juniper berry mayonnaise as well as in an entrée, where it is sliced, sautéed, and served with a berry sauce and Italian chestnut pancakes.

Another new item, rabbit Bolognese, is served with tomato sauce and tomato tagliatelle. Peking duck from northern Minnesota is used three ways: as an appetizer of warm preserved duck and apples with an apple cider sauce, an entrée of duck breast served with leeks and golden raisins, and on pizza with golden raisins and roasted tomatoes.

—Carolyn Walkup

Sunday brunch packs new sales punch

Tactic fills otherwise empty restaurants with diners who return for lunch, dinner

By Carolyn Walkup

Instead of taking a day of rest, restaurateurs across the nation are filling otherwise empty dining rooms with brand-new customers by adding elaborate Sunday brunches to their operations.

Successful operators say the sales-boosting strategy introduces to the restaurant new customers who come back for dinner or lunch and use the restaurant when it would otherwise stand empty.

At many restaurants brunch is garnering 10 percent to 15 percent of total weekly sales.

"The restaurant was empty

on Sunday, so it makes sense to use it," said Paul Emmett, who added a champagne brunch to Jake's in New York after three and one-half years of operation.

"It's another opportunity for people to come here other than for business lunches and dinners," said Kathy Kozlak, co-owner of Minneapolis' half-century-old Jax, which has long had Sunday brunches. She merchandises the Sunday meal by keeping brunch menu cards on the tables at all times.

Even budget-priced chain restaurants are showing interest in brunch. Los Angeles- (See BRUNCH, page 94)



NRN Photo

Staff sets up brunch at Four Farthings Tavern & Grill in Chicago.

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NEWS DIGEST

Sullivan replaces Cooper at helm of Dairy Queen

MINNEAPOLIS — International Dairy Queen, operator of the Dairy Queen, Orange Julius, and Karmelkorn snack chains, has named Michael Sullivan to replace Harris Cooper as president and chief executive officer.

Cooper resigned to develop a home-delivery service called Telechef Corp., a joint venture between Dairy Queen and a partner it declined to identify. Cooper was described in news reports as a "shareholder" in the new endeavor.

Sullivan, a 51-year-old lawyer, had been IDQ vice chairman, secretary, and director.

Goeglein steps down as Holiday Corp. president

MEMPHIS, Tenn. — Richard Goeglein, the gaming executive who climbed to the presidency of Holiday Corp. during the hotel operator's diversification drive several years ago, has retired at age 52 to pursue personal interests, Holiday said.

Earlier this year, Goeglein was intensely questioned by Atlantic City gaming authorities about allegations that Holiday executives had used organized crime figures to resolve labor disputes at one of the company's Harrah's casinos.

Goeglein, who was president of Harrah's at the time of the alleged mob dealings, denied any knowledge of wrongdoings. The officials subsequently renewed Holiday's gaming license.

Le Peep's Waldman retiring as president

DENVER — Donald ("Buddy") Waldman, founder of Le Peep Restaurants, is retiring as president of the 43-unit breakfast-only chain.

Waldman, who had served as Le Peep's president since the chain was launched in 1981, will serve as a consultant to the company and may become a franchisee in Southern California.

The company, which went public in August 1986, lost \$1.9 million in the six months ended June 30, compared with a \$2.1 million loss in the year-ago period. The loss in fiscal 1986 was \$4.6 million.

Bennigan's touts extensions of its Italian menu line

DALLAS — Bennigan's, Pillsbury Co.'s strongest dinner house contender, has launched a two-month promotion of the five new Italian dishes included on a new menu rolled systemwide in October.

The move is consistent with attempts by Pillsbury's other restaurant chains, including Burger King, to snare more repeat business through short-term promotions of new food items.

The new pasta dishes are scallops Milano, manicotti, veal Parmesan, shrimp marinara, and chicken cacciatore. A sixth item, an appetizer of deep-fried bowtie-shaped macaroni, called Pasta Bites, is being promoted through December but is not on the 211-unit chain's permanent menu.

Index up 5.4 points

NEW YORK — After falling more than 35 points in the two previous weeks, the *Nation's Restaurant News* Stock Index rose 5.4 points in the week ended Nov. 6 and closed at 151.0.

The Dow Jones Industrial Average of 30 blue chips, meanwhile, fell 34.48 points and finished the week at 1,959.05. Analysts attributed the decline to profit taking by investors.

On NRN's list of restaurant, lodging, diversified, and food-service manufacturing and distributing companies, 60 advanced in price, 73 declined, and 24 did not change.

G.D. Ritz's led the percentage-price winners, rising 71 percent, or 31 cents, to close at 75 cents. Servico was the second-highest advancer, moving up \$2.25, or 27 percent, to \$10.50. Southmark Corp. has made a tender offer for more than 1.2 million shares of Servico, a hotel franchisee.

More financial news, pages 92-93

Outhier to shutter Riviera's L'Oasis

LA NAPOULE, France — Celebrated chef and restaurateur Louis Outhier is planning to close his L'Oasis—a French Riviera landmark rated "three stars" by the Michelin guide for the past 17 years—by the end of 1988.

Outhier will continue to consult for Swissotel-owned Drake hotels in Boston, New York, and Chicago.

Pillsbury trims S&A's payroll, concept array

MINNEAPOLIS — In a move to shore up its S&A Restaurant Corp. dinner-house subsidiary, Pillsbury Co. said it will lay off 60 S&A staffers and is shopping for a buyer for S&A's Bay Street and Key West Grill concepts.

The conglomerate confirmed that it is also peddling Innovative Foodservices, S&A's fledgling hotel food-service operation. The startup concern operates restaurants in Embassy Suite hotels.

Pillsbury noted that S&A will concentrate on expansion of its Bennigan's and Steak and Ale chains.

Canteen veteran McGuire dies at industry conference

PHILADELPHIA — James T. McGuire, vice chairman and former president of Canteen Corp., TW Services' contract-feeding concern, died of an apparent heart attack here while he was addressing members of the Automatic Merchandising Association.

McGuire, who was 69, joined Canteen before World War II on a part-time basis, pitching for the Boston Red Sox during the baseball season and working for the contract feeder for the remainder of the year.

After hanging up his spikes, McGuire ascended Canteen's corporate ladder, rising to president in 1981. He held the post for four years before retiring at age 65.

Compiled from staff and news reports

1988 Hall of Fame ballots readied

NEW YORK — Ballots for the *Nation's Restaurant News* Fine Dining Hall of Fame are being readied to be mailed to the 80 previous award winners, who will be asked to choose 10 new inductees for 1988.

This marks the ninth year that *Nation's Restaurant News*, the weekly newspaper of the food-service industry, has sponsored a program honoring the excellence of fine-dining restaurants.

NRN Fine Dining Hall of Fame awards are presented annually to the owner or owners of

each restaurant for embodying the highest standards in food preparation, table service, consistency of operation, and employee training and motivation and for enhancing the fine-dining experience in general.

The 1988 award winners will be featured in *Food Trends in Fine Dining*, a special magazine that will be published by *Nation's Restaurant News* on May 9, 1988.

In addition, the 1988 award winners will be honored along with the previous inductees at a champagne luncheon in Chicago next May during the National Restaurant Association show.

STOCK-MARKET CRASH: THE AFTERMATH

King's Table execs revamp buyout offer

By Alan Liddle

EUGENE, Ore. — Saying its financial backers were reluctant to proceed as originally planned, a group of International King's Table Inc. executives who earlier bid \$69.9 million for the buffet-restaurant chain has lowered its offer to \$52.4 million.

Independent directors for the 90-unit chain approved the new offer after the company's investment bank, Boettcher & Co., rendered an opinion that the revised price was "fair to public shareholders under current market conditions."

"They [the buyers] are stealing it at that price," remarked Jennifer Groves, vice president of Black & Co., a Portland, Ore.-based investment company that follows In-

ternational King's Table.

She said that while Wall Street's recent woes might depress the price of the stock in the short run, the company's worth is likely to go up if there is a recession. That could happen, Groves said, because in tough times an appreciable percentage of the public has shown a tendency to trade down from full-service restaurants to buffets in search of value.

The price of International King's Table stock dropped from \$15.50 to \$15.25 on Nov. 2, the day the company announced acceptance of the lower bid. Prior to Oct. 19, or "Black Monday," when the stock market fell a record 508 points, International King's Table stock was fetching \$21 per share.

Chairman and chief executive officer Roger W. Houmes, president and chief operating officer Everett F. ("Jeff") Jefferson, and vice president of finance and treasurer Stephen Wendell are the company officers taking part in the proposed buyout. Also involved are some of the company's outside directors.

Company officials said they had been informed by the suitor group that it could not secure the financing needed to satisfy the initial offer of \$24 a share. However, the prospective lenders and other equity investors "confirmed their willingness to proceed at the revised price" of \$18 a share, they said.

International King's Table officials also said that the date after which either party can

terminate the agreement provided it has not closed was changed from March 31, 1988, to Feb. 28, 1988. The merger, they said, continues to be conditioned upon the availability of financing.

Montgomery Securities of San Francisco is the investment banker for the purchasing group.

International King's Table reported sales of \$22.26 million and net income of \$753,000 for the quarter ended Sept. 19. That compared with sales of \$20.9 million and net income of \$1.03 million for the same quarter a year ago.

In his quarterly report, Houmes attributed the rise in sales to the opening of five new restaurants in the second half of the year and a menu price hike.

Calny Inc. accepts Pepsico's acquisition bid

SAN MATEO, Calif. — Taco Bell franchisee Calny Inc., which twice during the past year rebuffed suitors offering more money, has agreed in principle to be purchased for \$36 million by Taco Bell parent Pepsico.

The proposed sale price is \$11 a share, or about \$2 a share more than Calny stock was trading at following Wall Street's recent crash.

The deal comes at a time when Calny has posted two quarters in a row of profits, after losing money for three straight quarters.

Pepsico, which has acquired a 31.5-percent stake in Calny since the beginning of the year, saw an offer of \$11.50 a share rejected by Calny board members in March. The board had earlier rejected an \$11.50-a-share offer from a group that included former Calny president Robert T. Larive.

William Ahern, Calny's executive vice president, said the

board was looking after shareholder interests when it accepted Pepsico's latest offer.

He said the board believed that Pepsico would continue buying large blocks of stock on the open market and could find it easier to make such purchases in light of the depressed price of the stock following Black Monday. Faced with that scenario, Ahern said, the board opted to "negotiate."

"We think it's a good investment in a great market," James Griffith, Pepsico's vice president of public relations, said of his company's reasons for buying Calny, which operates 142 Taco Bell restaurants in Central and Northern California, Washington, Oregon, and Texas.

Griffith said it was too early to comment on the fate of Calny corporate employees should the deal go through or the way the Calny system would be incorporated into Taco Bell.

Calny's stock price rose \$1.12 to \$10.25 a share following the Nov. 3 announcement concerning the sale.

The transaction, which is subject to shareholder ap-

The board believed that Pepsico would continue buying large blocks of stock on the open market and could find it easier to make such purchases in light of the depressed price of the stock following Black Monday.

proval, is expected to close early next year, Calny officials said.

Earlier, Pepsico officials had said the company was buying

stock in Calny "to ensure the integrity of the Taco Bell system." At the time Calny had suffered three consecutive quarters of declining earnings compared with the prior-year results, and Pepsico officials expressed a belief that Calny management was not paying attention to restaurant operations and that that could reflect poorly on the entire chain.

Calny officials denied the charges of mismanagement and a short time later filed a multi-million-dollar lawsuit against Pepsico. That suit claimed, in part, that Calny's earnings woes were related to losses from the La Petite Boulangerie bakeries it operated under license from Pepsico.

For the most recent quarter, ended Aug. 11, Calny reported sales of \$21 million and net income of \$768,752, compared with sales of \$18.6 million and net income of \$486,367 in the comparable quarter the year before.

Bidding war re-ignites over Restaurant Associates

By Don Jeffrey

NEW YORK — In what is shaping up as a replay of events just two months ago, top executives of Restaurant Associates and chain restaurateur Anwar Soliman have opened a new bidding war for the 30-year-old food-service company.

Following the stock market crash Restaurant Associates managers lowered their bid to \$14.25 a share for all shares not owned by them, from the \$18 that the board approved in September. RA's board immediately accepted the new offer.

But Soliman, who had raised his bid to \$19 two months ago before withdrawing it, re-entered the bidding with a \$17-a-share offer.

RA chairman Martin Brody said executives submitted a new bid because the stock market crash had increased the cost of financing, decreased the market value of the company, and made financing for leverage buyouts difficult.

Shares closed recently at \$13.50 on the American Stock Exchange, down from about

Soliman tops RA's bid

\$17 before the stock market collapse. About 5.6 million shares are outstanding.

Analysts and shareholders, however, who had been tantalized by \$18 and \$19 offers, were disappointed by management's lowered bid.

"If people who know the company think it was worth \$18, that's what it's worth," said RA shareholder Stephen Anfang.

Jeff Kessler, an analyst with Cowan & Co., said management's \$14.25 bid was "not undervalued, but it certainly is at the low range of the breakup value of the company."

"But there's a question whether Soliman can raise the money," Kessler added.

In a news release, RA said a special committee of its board would delay considering Soliman's proposal until his financier, a General Electric Credit Corp. unit, had completed its due-diligence review of RA.

Soliman, a former W.R.

Grace restaurant executive, purchased a group of chains earlier this year in a leveraged buyout from Saga Corp.

Although Soliman refused to comment about the RA bid, sources believe that because his new company, American Restaurant Group, is highly leveraged, it might be difficult for him to take on new debt to buy RA.

In addition, RA executives, who control 47 percent to 49 percent of the company, have said they would refuse to sell their shares to Soliman.

Restaurant Associates includes the 26-unit dinner house chain Charlie Brown's; the 42-unit Mexican chain Acapulco; several full-service, high-volume restaurants, such as Mamma Leone's in New York; and a chain of 154 newsstands in major cities.

Brody said there was "no contemplation of the sale of any assets" to pay down debt from the acquisition.

Kessler said RA's restaurant operations would mesh well with Soliman's, whose company, based in Newport Beach, Calif., operates the Grandy's, Black Angus, Velvet Turtle, and Spoons chains and a diverse group of full-service restaurants under the name Spectrum Foods.

CORRECTIONS

"Wage fight: Battle over minimum wage enters nation's statehouses," Nov. 2, page 1, incorrectly reported that Minnesota currently has a minimum wage higher than the federal level of \$3.35. In fact, Minnesota is at the federal minimum now, but effective Jan. 1, a new law will raise the minimum wage to \$3.55 for restaurants with gross sales of more than \$365,000 and to \$3.50 for restaurants with sales less than \$365,000.

Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Fax: 212 636-9487

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Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Computer+Software News, Chain Store Age Executive (with Shopping Center Age), Chain Store Age General Merchandise Trends, APPAREL merchandising, Business Guides Inc., Lebar-Friedman Books, Inside Retailing (Newsletter), Chain Store Age News, Japan, Largo Music Inc.

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NATION'S RESTAURANT NEWS

(ISSN 0028-0518)

Published weekly, every Monday except the last Monday in December. Subscription rates: Food-service operators and wholesalers/distributors, one year \$28.50; two years \$44.50. Auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: \$59. Single copy rate \$2.00. Foreign subscriptions (air mail only) \$50.00 per year. Second-class postage paid at New York, N.Y., and additional mailing offices.

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Vol. 21, No. 47

November 16, 1987

FOCUS | NRN

Aging baby boomers to boost industry

A USDA special report predicts big gains for food service in the coming decades as today's convenience-oriented yuppies make the transition to middle age

By Deane Evans

WASHINGTON — The food-service industry stands to be a "big gainer" in the coming decade as the baby boomers, currently the most frequent diners, grow older and spend an even greater share of their income in restaurants.

That was the conclusion of a recent U.S. Department of Agriculture study, which paints the most upbeat picture this year on trends in the food-service industry. The USDA's Economic Research Service said that by the end of the decade, the number of Americans 50 years and older is expected to increase 23 percent.

"By the year 2000 the 50-year-old age group will include the generation that grew up on fast foods, salad bars, and home-delivered pizza," forecasters explained. "With the children grown and on their own, with the home mortgage paid off (80 percent of homeowners 55 to 64 own their homes), the interest in convenience foods and dining out will probably continue."

If predictions for further growth in restaurants' share of U.S. food expenditures materialize, the trend will continue a dining-out movement that covers 20 years. Food away-from-home sales in 1985 totaled 43 percent of all food spending by Americans, a substantial increase from a 26-percent share in 1960, researchers reported.

"About one-third of all meals and snacks are now eaten out, compared with 1 in 4 in 1960," they said. Rising incomes, two-income and single-parent households, and an aging population contributed to restaurant gains. Among more than 700,000 places to eat out in the United States (from hot dog vendors at the ball park to school cafeterias), fast feeders were the big sales winners, according to government economists, with consumer spending at U.S. chains rising from \$20 billion in 1977 to more than \$52 billion in 1985. Even adjusted for inflation, the growth represented a 46-percent increase. Fast-food outlets accounted for 32 percent of away-from-home food sales in 1985, compared with only 5 percent in 1958.

Fast-food gains came at the expense of "conventional" restaurants, lunchrooms, cafeterias, and other commercial food-service operations, economists said. Such outlets saw their share of the dining-out dollar decline from 54 percent to 42 percent.

Researchers also found the "mix" of food eaten away from home is changing. For example, they said, "more offerings of salads and lighter fare are now competing with the 'burger and fries' standard of recent years." Health-conscious Americans generated a rise of almost 82 percent between 1973 and 1985 in the number of franchises featuring chicken. Outlets offering the bird grew at the expense of hamburger and roast beef places, which experienced a rise of only 48 percent.

Forecasters also predicted traditional restaurants would face more competition from grocery and convenience store "fast-food and limited-menu food service (i.e., prepared sandwiches and microwavable dishes)."

AVERAGE WEEKLY PER-PERSON SPENDING FOR FOOD-AWAY-FROM-HOME BY HOUSEHOLD SIZE, 1984 (1)

	Number of household members						
	Dollars						
	All	One	Two	Three	Four	Five	Six or more
Breakfast and brunch	0.53	1.20	0.67	0.61	0.30	0.37	0.14
Lunch	2.94	5.02	3.43	2.87	2.60	2.29	1.55
Dinner	3.53	6.82	4.75	3.52	2.61	2.33	1.22
Snacks and other	1.03	1.45	0.98	0.91	0.84	0.71	1.69
Total (2)	8.03	14.49	9.82	7.91	6.36	4.20	4.59

(1) Urban households only

(2) Numbers may not add because of rounding

Source: "Food Spending in American Households," U.S. Department of Agriculture, Economic Research Service (forthcoming)

POPULATION CHANGES IN VARIOUS AGE CATEGORIES, 1950-85

Years	Percent Change									
	Total All ages	Under 5 years	5-13 years	14-17 years	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65 years and over
1950-55	9.0	13.1	24.5	9.5	- 6.9	1.0	5.9	8.2	9.2	17.2
1955-60	8.9	9.6	18.0	21.3	7.7	- 5.6	5.7	9.0	6.9	14.8
1960-65	7.5	- 2.5	8.5	26.2	25.8	- 2.0	0.9	6.1	9.3	10.7
1965-70	5.4	- 13.5	2.5	12.4	21.6	12.6	- 5.3	6.7	9.3	8.9
1970-75	4.2	- 7.4	- 8.7	6.4	11.8	22.2	- 1.4	1.9	5.9	11.5
1975-80	5.4	2.0	- 8.4	- 5.8	8.5	19.5	13.4	4.3	8.5	13.3
1980-85	5.1	9.9	- 3.1	- 7.9	- 5.3	12.3	23.0	- 0.6	2.7	11.0

Sources: U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-25, No. 949, May 1984. U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-25, No. 1000, February 1987.

AVERAGE WEEKLY PER-PERSON SPENDING FOR FOOD-AWAY-FROM-HOME BY REGION, 1984 (1)

	SMSA (2)				
	Dollars				
	All	Northeast	North Central	South	West
Breakfast and brunch	0.53	0.57	0.56	0.45	0.71
Lunch	2.94	3.08	2.75	3.15	3.22
Dinner	3.53	3.92	3.38	3.32	4.23
Snacks and others	1.03	0.96	0.92	1.33	1.01
Total (3)	8.03	8.53	7.61	8.25	9.17

(1) Urban households only

(2) Standard Metropolitan Statistical Areas defined by the Office of Management and Budget

(3) Numbers may not add because of rounding

Source: "Food Spending in American Households, 1982-84," U.S. Department of Agriculture, Economic Research Service (forthcoming).

NOTE

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